# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

In the Matter of	)	
	)	
Lifeline and Link Up Reform and	)	WC Docket No. 11-42
Modernization	)	
	)	

# APPLICATION OF VIRGIN MOBILE USA, L.P. TO PARTICIPATE IN THE BROADBAND ADOPTION LIFELINE PILOT PROGRAM

#### Introduction

Virgin Mobile USA, L.P. ("Virgin Mobile"), an affiliate of Sprint Nextel Corporation ("Sprint"), hereby respectfully submits this broadband pilot program proposal in response to the Commission's *Lifeline Reform Order*<sup>1</sup> outlining a broadband adoption pilot program for low-income consumers. This proposal is submitted in accordance with the criteria set forth in the Public Notice issued by the Wireline Competition Bureau on April 30, 2012.<sup>2</sup>

# The Company and Relevant Offers Currently In Market

#### Virgin Mobile Lifeline Service

Virgin Mobile delivers prepaid wireless service to Lifeline customer under the brand name Assurance Wireless Brought to you by Virgin Mobile ("Assurance Wireless").

Virgin Mobile's FCC Registration Number (FRN) is 0006901011.

Virgin Mobile is currently designated as an eligible telecommunications carrier ("ETC") for the purpose of offering Lifeline service in the following jurisdictions: Alabama, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin and West Virginia, In South

<sup>&</sup>lt;sup>1</sup> Lifeline and Link Up Reform and Modernization; Lifeline and Link Up; Federal-State Joint Board on Universal Service; Advancing Broadband Availability Through Digital Literacy Training, WC Dkt. Nos. 11-42, 03-109, CC Dkt. No. 96-45, WC Dkt. No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 at para. 326 (rel. Feb. 6, 2012) ("Lifeline Reform Order").

<sup>&</sup>lt;sup>2</sup> Wireline Competition Bureau Announces Application Procedures And Deadline For Applications To Participate In The Broadband Adoption Lifeline Pilot Program, WC Dkt. No. 11-42, Public Notice (rel. Apr. 30, 2012) ("Public Notice").

Carolina, Virgin Mobile affiliate Assurance Wireless of South Carolina LLC is designated as an ETC. Virgin Mobile is currently offering Lifeline service in all jurisdictions in which it is designated with the exception of California. A list of these jurisdictions and the study area code ("SAC") for each is annexed hereto as Attachment A.

Assurance Wireless's service offerings are uniform across all geographic areas in which Virgin Mobile currently offers Lifeline service. Assurance Wireless's basic Lifeline service offering provides eligible customers with 250 anytime prepaid voice minutes and 250 text messages per month at no charge, with additional a la carte service priced at \$0.10/voice minute and \$0.10/text message. Assurance Wireless Lifeline customers entirely at their option can purchase blocks of additional services. Under the first option, Lifeline customers can add \$5 to their account to purchase an additional 250 voice minutes and text messages, providing them with a total of 500 voice minutes and 500 text messages in a month (250 free minutes plus 250 additional minutes). Under the second option, Lifeline customers can add \$20 to their account to purchase an additional 750 voice minutes and 750 text messages, providing them with a total of 1,000 voice minutes and 1,000 text messages (250 free plus 750 additional). And under the newly added third option, Lifeline customers can add \$30 to their account to purchase unlimited talk, text and web. The rates for service under all plans include all applicable taxes and fees. Each service plan also includes voicemail, caller I.D. and call waiting services at no additional charge.

#### Virgin Mobile Broadband2Go Service

Broadband2Go is Virgin Mobile's mobile broadband brand, operating on the Sprint CDMA 1xRTT/EV-DO (3G) and WiMax (4G) network ("Service"). Sprint's 3G network reaches over 276 million people with average download speeds between 600 Kbps and 1.4 Mbps, with peak download speeds of 3.1 Mbps. Sprint's 4G network reaches over 70 markets on select devices with average download speeds between 3 Mbps and 6 Mbps, with peak download speeds of 10 Mbps.

At the time of this application, Broadband2Go markets three national retail no-annual contract plans, outlined in Table 1.

Table 1 - In Market Broadband2Go Plans

Monthly	Expiry Period	Data Allotment on	Data Allotment on Sprint's 4G
Recurring	(Cycle)	Sprint's 3G	Network
Charge (MRC)		Network	
\$35	1 Calendar Month	2 GB	Unlimited data, full speed for the first 10 GB, 256 Kbps thereafter
\$55	1 Calendar Month	5 GB	Unlimited data, full speed for the first 10 GB, 256 Kbps thereafter
\$20	1 Calendar Month	1 GB	Not Available

Virgin Mobile's Broadband2Go plans are all prepaid. A Broadband2Go plan purchase triggers the start of its respective Cycle. Once a plan is purchased, the customer receives the appropriate data allotment and can use the Service until either their Cycle expires or their usage exceeds their data allotment. A customer can purchase a subsequent plan at any time, resetting their Cycle date and data allotment accordingly. Any unused data is lost at the end of the Cycle.

In order to purchase a plan, a Broadband2Go customer must add money to their Virgin Mobile account using a Virgin Mobile top-up card, available at over 140,000 retail locations, or directly through a payment using a credit card, debit card or PayPal. A customer also may top-up using the Broadband2Go self-serve web portal, or by calling a dedicated customer care phone number. Broadband2Go customers can also call customer care or use the web portal to check remaining data allotment, purchase history, or to change their personal account information.

Broadband2Go customers must use an approved device to access the Service. Broadband2Go currently markets four devices, outlined in Table 1Table 2.

Table 2 – In Market Broadband2Go Devices

Device Type	Model/Name	Manufacturer	Last Suggested Retail Price
3G USB Dongle	Ovation MC760	Novatel Wireless	\$49.99
3G WiFi Hotspot	MiFi 2200	Novatel Wireless	\$99,99
36 WII Hotspot	WIII 1 2200	Novace wheress	Ψ, σ,
3G/4G USB	U600	Franklin Wireless	\$99.99
Dongle			
Wir: Hadamad	OI-i D	C' W'1	¢140.00
WiFi Hotspot	Overdrive Pro	Sierra Wireless	\$149.99

## **Proposed Pilot Project Structure**

In connection with the broadband pilot, Virgin Mobile proposes to offer Broadband2Go Service and a device to existing Assurance Wireless customers in Massachusetts and Ohio through targeted marketing efforts. In Massachusetts and Ohio, 10.6% and 15.3% of residents live below the federal poverty guidelines, <sup>3</sup> respectively, and 16.2% and 20.1% of residents live below 135% of the federal poverty guidelines, <sup>4</sup> respectively.

Virgin Mobile will offer the \$20 Broadband2Go plan and the MC760 USB device to groups of Assurance Wireless customers at standard retail pricing and at discounted rates. To test the impact of a discount on both the Service and the device on broadband adoption, Virgin Mobile proposes to divide its pilot participants into four groups: (1) Group 1 will be charged the standard retail price for the device and the Service, (2) Group 2 will receive a discount on the device and the Service, (3) Group 3 will receive a discount on the Service but not the device, and (4) Group 4 will receive a discount on the device but not the Service. For each group, 2,500 participants will be selected on a first-come, first-served basis. The market-facing offer structure for the proposed pilot project is outlined in Table 3.

U.S. Census Bureau, Current Population Survey, 2011 Annual Social and Economic Supplement, POV46, Poverty Status by State (http://www.census.gov/hhes/www/cpstables/032011/pov/new46 100125 01.htm).

<sup>&</sup>lt;sup>4</sup> U.S. Census Bureau, Current Population Survey, 2011 Annual Social and Economic Supplement, POV46, Poverty Status by State (http://www.census.gov/hhes/www/cpstables/032011/pov/new46\_135150\_01.htm).

**Table 3 - Proposed Pilot Project Structure** 

Group	Device Cost to	Service Cost	Data	Number of	Expected
	Customer (USF	to Customer	Allotment/	Pilot	plan
	Sudsidy)	(USF	Expected	Participants	months
		Subsidy)	Usage		
1	\$50 (\$0)	\$20 (\$0)	1 GB/800	2500	5
			MB		
2	¢10 (¢40)	ΦΩ (ΦΩΩ)	1 CD /000	2500	12
2	\$10 (\$40)	\$0 (\$20)	1 GB /800	2500	12
			MB		
3	\$50 (\$0)	\$0 (\$20)	1 GB/800	2500	12
	, ,	, ,	MB		
4	\$10 (\$40)	\$20 (\$0)	1 GB/800	2500	5
			MB		

<u>Service and Support</u>: All pilot participants will utilize the same network infrastructure and have access to the same service and support as any other Virgin Mobile Broadband2Go customer, including a dedicated Broadband2Go support phone number open 6am-11pm CDT Sun-Sat.

<u>Data Speeds</u>: All pilot participants will have access to the same data speeds available to all other Broadband2Go customers. Average 3G data speeds range from 600 kbps to 1.4 Mbps. These speeds are lower than the benchmarks set forth by the Commission. However, 3G speeds provide an adequate online experience for typical browsing, streaming standard definition content, email, job searching, education, healthcare, and communicating via and low-fidelity voice and video chat. Trial participants may experience less-than-ideal results when using high-bandwidth applications such as high-definition or feature length videos, peer-to-peer file sharing of large files, or certain online games.

<u>Monthly Service Discount</u>: For the 5,000 pilot participants who receive a discount on the monthly service, the proposed federal subsidy is \$20 for 12 months. For participants receiving discounted service, service will be automatically renewed each month for 12 months. For pilot participants not receiving discounted service, Virgin Mobile anticipates that customers will purchase service for approximately 5 months during the same 12 month period.

Non-Recurring Device Discount: For the 5,000 pilot participants who receive a one-time, non-recurring discount on the cost of the device, the proposed federal subsidy is \$40. The subsidy will be in addition to the existing \$30 retail subsidy per device provided by the Company to all Broadband2Go customers. Participants not receiving a federally subsidized discount will be expected to purchase the device at the suggested retail price.

<u>Funding</u>: The total cost of Virgin Mobile's proposed pilot program is estimated to be approximately \$1.9 million, as reflected in Table 4. Based on the pilot program structure described above, Virgin Mobile expects to offset these costs through \$500,000 in service revenue recovery from pilot participants who pay the full retail rate for the monthly service and device. Virgin Mobile is seeking \$1.2M in federal subsidies subsidies to fund the proposed monthly service discount and device discount proposed in Table 3.

Table 4 – Virgin Mobile Pilot Program Funding

Expected Network Costs <sup>5</sup>	\$400,000
Expected Acquisition Costs <sup>6</sup>	\$1,000,000
Expected Development costs <sup>7</sup>	\$500,000
<b>Total Cost of Virgin Mobile</b>	\$1,900
Pilot Program	

<u>Terms and Conditions</u>: With respect to the provision of service, pilot participants are subject to the same terms and conditions as Broadband2Go customers. With respect to eligibility for participation in the pilot program, only existing Assurance Wireless customers only will be eligible. Pilot participants will be subject to Assurance Wireless terms and conditions concerning ongoing eligibility for Lifeline and required to certify ongoing eligibility for Lifeline in connection with pilot participation. A sample copy of the Assurance Wireless certification form for enrollment is annexed hereto as Attachment B. In addition, pilot participants may be subject to additional terms and conditions surrounding collection of data regarding demographics, purchase behavior, and usage patterns as required by the Commission.

<u>Pilot Termination</u>: All participants receiving discounted service will receive a termination notice at least 30 days prior to the termination of the pilot. After 12 months, participants receiving a monthly service discount will be offered the opportunity to enroll in Broadband2Go at then-available retail rates. In all groups, pilot participants maintain ownership of the MC760 USB device and can elect to remain Broadband2Go customers at the end of the pilot period.

<sup>&</sup>lt;sup>5</sup> Network costs include costs associated with operating and maintaining the infrastructure and carrying costs to provide access to the Service.

<sup>&</sup>lt;sup>6</sup> Acquisition costs include device subsidy, application administration of pilot participants, and marketing costs.

<sup>&</sup>lt;sup>7</sup> Development costs include capital required to introduce new plans, offers, or infrastructure to support this initiative.

<sup>&</sup>lt;sup>8</sup> Virgin Mobile's Terms and Conditions can be found at <a href="http://www.virginmobileusa.com/legal/general-terms-and-conditions">http://www.virginmobileusa.com/legal/general-terms-and-conditions</a>.

<sup>&</sup>lt;sup>9</sup> Assurance Wireless's Terms and Conditions can be found at <a href="http://www.assurancewireless.com/Public/TermsOfServiceRider.aspx">http://www.assurancewireless.com/Public/TermsOfServiceRider.aspx</a>

The method of notification is yet to be determined. Sprint will endeavor to choose the method(s) most likely to reach the most participants, most likely a combination of email, text message and regular mail.

#### Marketing

Virgin Mobile's internal research consistently indicates that approximately 30% of Assurance Wireless customers enjoy internet access. Virgin Mobile will target its pilot program marketing efforts at Assurance Wireless customers in Massachusetts and Ohio who do not currently subscribe to broadband service at home. Specifically, Virgin Mobile will send a direct mail marketing piece designed to appeal to Lifeline customers who would be likely to have internet access at home but for lack of resources and/or affordability. Marketing will be conducted in English and Spanish. Sample collateral of the marketing material can be found in Figure 1.

LIMITED TIME ONLY
A Special Offer for Assurance Wireless Customers

Do You Have a Computer or Laptop at Home But Can't Afford the High Cost of Internet Access?

GET EASY, AFFORDABLE INTERNET

Just plug the device into your computer and connect to the Internet at home or on the go.
We'll ship the device to you for free.

\$10 for a Virgin Mobile Broadband2Go device (refurbished)
\$20/month for 1GB of internet use
You'll get\*:

\$50 hours of web browsing
Up to 100,000 emails
Access to the Nationwide Sprint® 3G Network

CALL VIRGIN MOBILE AT 1-877-87443 TO ORDER NOW.
MENTION PROMO CODE 4565000.

**Figure 1 - Sample Marketing Collateral** 

#### **Efforts to Address Barriers to Broadband Adoption**

Through its proposed pilot program, Virgin Mobile seeks to make available a device and service at substantially discounted rates. The discounted cost to the customer of the USB device will be \$10 after the application of a \$40 federal subsidy and the \$30 subsidy provided by the Company on the purchase of each such device. With this device, customers may connect to the internet using a laptop or other USB-compatible device from any location where Sprint 3G service is available. Virgin Mobile proposes to make available 1 gigabyte of data per month at no charge to the customer. The focus of these efforts is on addressing cost and affordability as barriers to broadband adoption.

Virgin Mobile is also actively exploring a potential partnership that would make hardware and digital literacy training available as part of its pilot program. Virgin Mobile and Open Air

Boston ("OAB") have engaged in preliminary discussions to extend OAB's Technology Goes Home ("TGH") program to a subset of Virgin Mobile pilot program participants residing in the Boston area.

According to OAB, "OAB is a 501(c)(3) nonprofit organization whose mission is to bridge the digital divide so that low-income, under-served populations in US cities have full access to technology and the Internet. OAB's Technology Goes Home Program (TGH) is a 12-year-old, national award-winning initiative that has successfully provided under-served residents the opportunity, tools, education and access required for 21st century skills development. With the support and backing from the city of Boston, TGH focuses on serving the US's most vulnerable populations, including children/youth, adults, seniors, and people with disabilities who are predominantly low-income, and/or from challenged neighborhoods" 11

TGH provides both a free netbook as well as digital literacy training and is funded through a mix of federal, state and foundation grantees including, but not limited to the US Department of Commerce, the city of Boston and Hub on Wheels, an annual city-wide event in Boston for which TGH is the main beneficiary.<sup>12</sup>

As the partnership is envisioned, OAB would provide a free netbook and digital literacy training to randomly selected pilot program participants in the Boston area, and Virgin Mobile would provide a USB device and broadband service.

Virgin Mobile continues to explore additional partnerships and welcomes outreach from potential partners in Massachusetts or Ohio seeking to participate in the pilot program.

<sup>12</sup> Id

<sup>11</sup> http://www.techgoeshome.org/about

#### **Pilot Design and Data Collection**

# Statistical Approach

The subset of Assurance Wireless subscribers will be statistically representative of the geographic areas in which Virgin Mobile is designated as an ETC in Massachusetts and Ohio. Each subscriber will be asked to self-certify ongoing eligibility for Lifeline service through a questionnaire which will be collected and tabulated with other Pilot data. In order to further maintain statistical integrity through similar sample sizes, Virgin Mobile will limit the number of subscribers to 2,500 respondents from each group identified in Table 3.

## Trial Design

Virgin Mobile's pilot program design incorporates several key assumptions concerning selection of pilot participants:

- Current Assurance Wireless customers represent the parent population of the appropriate demographic and target audience for the broadband pilot program.
- Direct mail sent in proportion to current Assurance Wireless subscribers in each zip code in which Virgin Mobile is designated as an ETC in Ohio and Massachusetts represents an adequate sampling approach.
- Staggered mailings to zip codes in these jurisdictions mitigate impact of day of week and day of month difference in responses.

To ensure a random and representative sample, the pilot program design includes additional elements:

- Each sample within each zip code will be targeted by an equal number of applications to each one of the four groups identified in Table 3.
- Each existing Assurance Wireless customer within that sample will be assigned a unique number and *n* will be randomly selected.
- After the first round of mailings, a calculation will be made to validate the sample size of the number of participants for that zip code. Specifically, for each zip code proportion of participants to n<sub>zipcode</sub> mailings, , the distribution should be relatively normal such that:
- *n* will be increased as required to yield sufficient confidence.
- Any variations to the accepted sample versus the expected distribution will be documented.

#### **Data Collection**

Virgin Mobile will collect data through three primary methods: pre and post-trial questionnaires, network usage and purchase data through information technology systems, and subscriber account information.

#### Reporting

Virgin Mobile will provide the Commission with reports at three times during the 12-month pilot period.

- Data on demographics, sample sizes, and geographical distribution will be provided after enrolling a sufficient number of pilot participants.
- Data on usage and purchase history will be provided six months into the pilot.
- A final report examining correlation between pre-trial data, usage and purchase history, and post-trial data will be provided three months after the pilot ends. The report will be compared and contrasted to existing customer surveys that predict adoption of a subsidized mobile broadband offer to Assurance Wireless customers.

#### Conclusion

Virgin Mobile appreciates the time and effort of Staff in reviewing this application and welcomes the opportunity to provide additional information upon request and respond to any questions.

Respectfully submitted,

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